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SIPDIS

DEPT FOR AF/EPS DKRZYWDA  
DEPT PLS PASS USTR C. HAMILTON  
COMMERCE/ITA FOR HVINEYARD  
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SUBJECT: Zimbabwe not qualified for AGOA

Post reaffirms Zimbabwe's unsuitability for Africa Growth and Opportunity Act (AGOA) trade preferences at this juncture. The country falls short in each of the six key areas:

- Market-Based Economy: The GOZ approaches the economy through broad interventionism, with parastatals serving as monopolistic middlemen for products such as tobacco and grain. The GOZ still controls private sector grain, fuel and transport prices, but it has relaxed limits for many other products and services. At the same time, the GOZ still claims to keep extensive "price monitoring" in place, sometimes visiting firms and sporadically fining them for charging market rates. Exporters must exchange half their revenues at an official rate only one-seventh the market rate. Government, rather than the central bank, determines interest rates, currently about 350 percent negative.

- Political Pluralism, Rule-of-Law, Due Process: The opposition political party operates in a climate of intimidation and repression. The GOZ is prosecuting the opposition leader for treason, a crime that carries the death penalty. Over the past year, the GOZ has removed Harare's elected mayor and shut down the only non-government daily newspaper. During the country's high-profile land redistribution, the GOZ has ignored rule-of-law and due process.

- Elimination of Barriers to U.S. Trade and Investment: The suspension of rule-of-law has scared away all but a trickle of foreign investment. Due to their rapid impoverishment, Zimbabwean firms and consumers can no longer afford imported goods from the U.S.; although a number of Zimbabwean products continue to move to the U.S., indirect export taxes discourage this trade.

- Economic Policies to Reduce Poverty: While the GOZ maintains several programs that provide food or basic services to the poor, these run counter to the general thrust of GOZ economic policy, which has caused most Zimbabweans to grow progressively poorer over the past 6 years. Many Zimbabweans take home but a fraction of their 1997 wages. Income taxes kick in at a monthly salary of US\$3. Electricity and fuel are heavily subsidized but difficult to come by. Controls have failed to keep prices in check. An acute cash shortage made it difficult for lower-income Zimbabweans to access money in their accounts during most of 2003.

- System to Combat Corruption: Favoritism in government contracting is rampant. Many, if not most, senior officials have extrajudicially seized at least one large commercial farm during land redistribution.

- Protection of Worker Rights: Despite official recognition of worker rights, the government continues to exert heavy pressure on labor unions, limiting their freedom of association and right to organize. Unions have been denied routine meetings and necessary consultations with constituents under the draconian Protection of Order and Security Act (POSA). Senior members of the Zimbabwe Congress of Trade Unions (ZCTU) have been arrested on spurious charges, some of them later reporting physical abuse while in police custody. The most recent amendment to the Labor Relations Act severely restricts the ability of workers to strike, and increases the authority for the government to declare strikes illegal.

Sullivan